

SUMMARY ANALYSIS OF AMENDED BILL

Author: Caldera and Migden

Analyst: Colin Stevens

Bill Number: AB 511

Related Bills: See prior analysis Telephone: 845-3036

Amended Date: APTBA

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Bank Tax Excess Over General Tax/Local Agency Financial Aid Fund/In-Lieu Provision

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended **February 24, 1997**.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED **February 24, 1997**, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under Bank and Corporation Tax Law (B&CTL), this bill would make the following changes to the in-lieu tax for banks and financial corporations:

- require that the revenues from the in-lieu tax be deposited into the Financial Aid to Local Agencies Fund (the Fund), which would be created by the bill, for disbursement to all cities, cities and counties and counties based on bank and financial corporation payroll proportions, as determined by the Franchise Tax Board (FTB);
- require that banks and financial corporations in each city, city and county and county semiannually report payroll information to the FTB;
- require the FTB to notify the Controller of the amount of collected taxes attributable to the bank tax;
- eliminate unnecessary, outdated provisions relating to the computation of the bank and financial corporation in-lieu rate; and
- specify that the tax would not be in-lieu of nondiscriminatory parcel taxes.

SUMMARY OF AMENDMENT

The proposed amendments would:

- clarify that all cities, cities and counties and counties may receive distributions;

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Department Director Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
X NA ___ NAR
___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved ___
Position Disapproved ___
Position Noted ___

Department/Legislative Director Date

Johnnie Lou Rosas

3/27/97

Agency Secretary Date

By: Date:

- remove an unnecessary provision which provided that city populations would be determined according to a Department of Finance report;
- remove unnecessary, outdated provisions relating to the computation of the bank and financial corporation in-lieu rate; and
- make related technical amendments.

With the exceptions noted below, the department's analysis of the bill as introduced February 24, 1997, still applies. A revised revenue estimate is provided to reflect the partial year impact not taken into consideration in the department's analysis of the bill as introduced.

SPECIFIC FINDINGS

The discussion of federal and state law in the specific findings in the department's previous analysis of the bill as introduced February 24, 1997, still applies.

Under the B&CTL, **this bill** would:

- require that the revenues from the in-lieu rate be deposited into the Fund, which would be created by this bill, for disbursement to cities, cities and counties and counties. The department would determine, and notify the Controller, of the amounts to be distributed semiannually, in June and December, to cities, cities and counties and counties. The distribution would be determined by the proportion that the total payroll of all banks and corporations in each city, city and county and unincorporated area of a county bears to the total payroll.
- require banks and financial corporations in each city to semiannually report to the Franchise Tax Board (FTB) payroll information needed by the FTB to determine the proportion described above.
- require the Controller to transfer to cities and cities and counties in June and December the amounts in the account as of May 31 and November 31.
- specify that the bank tax would not be in-lieu of nondiscriminatory parcel taxes that are enacted by cities, counties, and special districts according to the constitutionally required two-thirds vote of the voters; and
- eliminate unnecessary, outdated provisions relating to the computation of the bank and financial corporation in-lieu rate.

Implementation Considerations

The proposed amendments would resolve the implementation consideration regarding the definition of "eligible city," but would not address the remainder of the implementation concerns identified in the department's prior analysis. At the author's request, amendments are provided to resolve the first implementation consideration shown below.

This bill would allocate funds to a city based on the proportion that city's bank and financial corporation payroll bears to the total payroll. However, "total payroll" is not defined and could be interpreted in different ways. The ambiguity needs to be resolved before the bill can be implemented. Amendment 1 would specify that the total payroll of all banks and financial corporations in the state would be used to determine distributions.

This bill would not provide a penalty in cases where a bank or financial corporation provides false information or fails to provide the necessary information. Department staff is working with the author's office to ensure that the department has the information necessary to properly allocate funds to cities and counties.

Once the department's implementation concerns have been resolved, the department's position would be neutral.

Technical Considerations

The amendments proposed by the author would resolve the technical consideration regarding a report which is unnecessary for purposes of this bill, identified in the department's analysis of the bill as introduced February 24, 1997.

Revised Tax Revenue Estimate

The following estimates have been revised from the original analysis to reflect a partial year impact for the first fiscal year.

Revenue losses to the General Fund under the Bank & Corporation Tax Law are estimated to be:

Estimate Revenue Impact of AB 511 Effective With Fiscal Years Beginning 1997- 8 (In Millions)			
1997-8	1998-9	1999-0	2000-1
(\$133)	(\$142)	(\$141)	(\$147)

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Tax Revenue Discussion

Revenue losses to the General Fund under the Bank & Corporation Tax Law would depend on the amount of profits reported by banks and other corporations subject to the in-lieu tax rate.

The above estimate was based on the actual revenue collected from the in-lieu rate for the 1994 tax year (\$115 million) and projected to 1997-8 using the Department of Finance, January 1996, Bank and Corporation Tax Law projected growth in revenues. These moneys would be collected by the Franchise Tax Board and transferred to the State Treasury to the credit of the Financial Aid to Local Agencies Fund, which this bill would create.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 511
As Introduced February 24, 1997

AMENDMENT 1

On page 3, line 28, after "payroll," insert:

in this state of all banks and financial corporations in this state.